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Aishton, Richard Henry

Testimony of R.H. Aishton, president of the Chicago...

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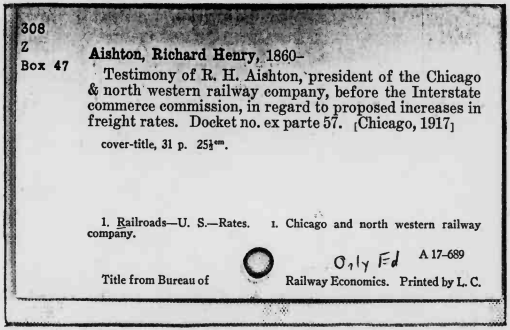

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Testimony of R. H. Aishton, president of the Chicago & north western railway company, before the Interstate commerce commission, in regard to proposed increases in freight rates. Docket no. ex parte 57. [Chicago, 1917]

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TESTIMONY

OF

R. H. AISHTON
President of the Chicago & North Western Railway Company

BEFORE THE

Interstate Commerce Commission

In Regard to Proposed Increases in Freight Rates
Docket No. Ex Parte 57

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Testimony of R. H. Aishton

RICHARD H. AISHTON, was called as a witness, and having been first duly sworn, testified as follows:

Direct Examination.

Mr. Donnelly: Mr. Aishton, you are president of the Chicago & North Western Company?

Mr. Aishton: I am.

Mr. Donnelly: Have you prepared a statement, Mr. Aishton, covering the questions involved in this case?

Mr. Aishton: I have.

Mr. Donnelly: Please read it to the Commission.

Mr. Aishton: Mr. Chairman and gentlemen of the Interstate Commerce Commission, the Chicago & North Western Railroad, with which I am connected as president, owns and operates 7,946 miles of main track in the States of Illinois, Wisconsin, Michigan, Minnesota, South Dakota, Iowa, Nebraska and Wyoming. It has a diversified traffic, performing its part in the movement of transcontinental freight.

I will preface my remarks by stating at the outset that I do not lay claim to any ability to either compile statistics or to make expert analyses of statistics, and I do not want to worry you with any more figures than may be necessary to lay the situation of the Chicago & North Western Railroad definitely before the Commission, in order that they may see the situation in which we find ourselves at this time. I have prepared the statement somewhat in accordance with the outline as submitted by the Commission in the questionaire submitted, and have deviated from it as may seem necessary to have you understand our situation.

First, as to the emergency:

The same emergency condition surround the railroads that exist in every other commercial activity; with the government itself and with the individual. These have been solved by the commercial institutions by increasing the prices to the consumer; by the government, both municipal, state and federal, by increasing taxation; by transportation companies it is a yet unsolved problem.

Any knowledge that I have in the matter comes from knowledge of the situation as it exists on the railroad with which I am connected; but the cause of the emergency would appear to be the same on all the railroads in the western group, and as concerns increased expenses, generally distributable to all carriers in approximately the same degree.

In our opinion, the percentage increase in all freight rates will more nearly maintain the present relations in commercial conditions than any other method, and has the additional advantage of affording relief quickly, and in a case like that existing at the present time, the speed with which the remedy is administered is nearly as important as the remedy itself.

The statistics that have been prepared by the carriers and have been submitted to you in general form, indicate, I believe, that fifteen per cent. is the minimum amount necessary to take up the increased expenses.

The question is asked as to what, outside of the state of war and the Adamson Law, contributes to these conditions?

The larger items contributing to the result are the constantly increasing cost of material, decreasing efficiency of labor, and by that I mean not so much the lack of effective work by the individual as that caused by the constant shifting of men in all classes of employment, shopmen, firemen, draftsmen, office help, and the continual breaking in of new men. These conditions, together with the constantly increasing rates of wages and decreased hours of labor which always follow a labor shortage.

The item of taxes alone has grown and has prospects for a future growth.

I have a tabulation of the taxes paid by our company for a period of twenty years. In 1897, per mile of road—I will quote per mile of road and the aggregate amount—the North Western road paid $1,061,000 in taxes, or, per mile of road, $211.05.

Ten years later, June 30, 1907, the amount paid for taxes had grown to $2,464,753.94, or $326.43 per mile, an increase of about 50 per cent.

Commissioner Clements: Most of those are for a period of a year?

Mr. Aishton: That is for that particular year, Mr. Commissioner.

In the year ending December 31, 1916, which is practically another ten years' cycle, the total taxes paid by the North

Western were $5,016,527.44, or a total of $618.73 per mile, an increase in the last ten-year period of 100 per cent., practically, in the amount.

The Chairman: What had been the increase in the value of the line of the road?

Mr. Aishton: I could not answer that question, Mr. Chairman.

The Chairman: In your judgment?

Mr. Aishton: In advance of the valuation of the road having been made, however, to get these figures on it, I could hardly quote the figures.

The Chairman: In your judgment had the value increased in proportion?

Mr. Aishton: I could not answer that question. I have seen such statistics by our tax department indicating that value as applied to the railroad in tax levies has increased very much more rapidly than values of other property in certain states—not in all states, but in certain states.

Commissioner Meyer: Would you think that a piece of real estate in the City of Madison, for instance, valued at approximately what a mile of the North Western's line in Wisconsin is valued at, pays approximately what the North Western pays?

Mr. Aishton: I would not undertake to answer that question or express an opinion about it. I cited these figures here not particularly for comparison for the relative merits as to taxation as between different kinds of properties, but to indicate the amount of money that is being continually added, and the continual growth of that burden that the railroads have to undertake.

It is a pretty difficult matter to say just what per cent. of the increased expenditures is attributable to each of these different factors, but they all contribute their part to the very large increases in cost of operation.

The emergency did not reach its present acute form prior to January 1, 1917, although to all thinking men it was very clearly apparent that it was rapidly approaching.

Some of the reasons why it had not assumed an acute form prior to January 1, 1917, are that the larger advances in cost of labor had not then been made. Materials of all kinds that had been purchased under lower priced contracts were then being used, and, in fact, the greater part of the purchases up to January 1, 1917, were secured under these lower priced contracts, and the operation and maintenance

of the roads was carried on by the use of lower priced materials secured under the then existing contracts.

An abnormal and specially well balanced movement of traffic throughout the entire year of 1916 brought about the most ideal operating conditions existing in years, resulting in a good showing up to January 1, 1917. In that month, however, due to increase in cost of materials, decreases in volume of traffic handled, and labor being on a constantly increasing basis, the matter suddenly became a very grave emergency.

Any decision as to when the emergency has passed, in my opinion, will have to take into consideration, among other things, the following facts:

First, resumption of normal labor conditions with a consequent decrease in labor costs.

Second, return to normal price conditions of all fuel and supplies, by normal price conditions meaning such as prevailed during 1916 or prior thereto.

Third, when the credit of the railroads has been firmly established and when through such credit they have been enabled to provide new capital that will furnish them with the means to adequately provide themselves with cars, locomotives, signals, double and additional tracks, yard facilities, and so forth, to properly handle the growing business and traffic in the country.

I might say further that the carriers have come to this Commission asking for relief from what they feel is an acute emergency and have agreed that this Commission shall decide when the emergency has passed.

War Conditions: It would be a wise man, indeed, who could forecast the burdens which the war will impose upon the railroads, and I do not understand that any claim for increased rates is predicated upon possible future expenditures account of war conditions; so that in the presentation of figures to the Commission, the results of the war to date are reflected simply in the increased demands for materials, absorption of labor and of capital, thereby bringing about in part, the higher prices.

There are some features that can be forecasted, as for instance; already all Government freight, as well as troop movements are being expedited and preferenced over all other movements. I am speaking now for the Chicago & North Western, and for the railroads in the western group where I know that condition absolutely exists. This, in itself,

means uneconomical operation and the creation of abnormal conditions whereby there are increased empty car movements, increased delays and waiting time, all of which increase the cost of transportation.

On that subject it is hard to make a figure, but as an example, on the lines of the Chicago & North Western, at Fort Sheridan, Illinois, and at Great Lakes, Illinois, are two great military and naval establishments. There are very large numbers of men going there. This is a small matter but it is an index. I think they have 5,000 men at the naval station, and they are getting ready to have about an equal number at Fort Sheridan. They are shipping men to Great Lakes continually, being collected from all over the Western country. To perform service we have to run extra trains, passenger trains carrying men, and short freight trains carrying hurry-up supplies.

We have to call a crew, start them from Chicago, run them up there a distance of 22 and 26 miles, respectively, I think; wait there until they are unloaded, come back to Chicago. It is really a half-day's work for a crew when you count up the actual amount of time consumed; but under existing wage schedules, and very properly so, it means that you have got to pay a day's work for that period of time. That is one of the peculiarities of wage schedules. Mind you, I am not finding fault with the wage schedules. But the railroads so far as practicable try to arrange their movement of trains, their divisions, their terminals, and all that kind of thing, so as to afford a movement that provides a day's work for a man when he is called; and these movements of this character are utterly at variance with that principle.

The other day, a week ago last Sunday, I was called in a hurry. They needed 50 cars of lumber in a hurry. Well, we turned everything loose in Chicago and between ourselves, and one of our connections, the Burlington, on whose yard the lumber was located, we got 50 cars down there. We took them right out of the freight houses, anywhere we could pick them up to get a preference movement. It happened that only 12 cars were shipped on Monday, and we need not have hurried. But it was an abnormal movement that cost money.

I could go on in more detail with things of that kind. The war has not started yet out in that country, and as the men are mobilized, and the necessity for providing supplies

for them occurs, and all that kind of thing increases, it increases what I term these abnormal movements which always create an element of expense that finds its reflection in your operating costs.

Equipment will be diverted from commercial uses, and the railroads have already agreed on the handling of same under a general committee who have the power to direct any action upon the part of the individual railroads, regardless of their income or commerial necessities.

The entire situation is surrounded with uncertainty, but there is one thing certain with respect to it; and that is that the cost of handling transportation under these conditions is going to be greatly augmented.

I do not understand that in any figurs submitted by the railways in their application for additional revenue, that loss in revenue due to emergeney movements of forces and supplies for the Government at reduced rates on land grant roads, or to meet land grant competition, have been considered, but it is my understanding that the case of the railways is based entirely upon the increased costs of operation due to increased prices of labor, material and fuel.

Answering the question of the Commission with regard to labor and wages: the total amount of increases in wages to employes of the Chicago & North Western Railway for the period January 1, 1917, to March 31, 1917, that have become effective since December 31, 1916, is $573,912.56, all of which has been included in our monthly reports of operating expenses made to your Commission since January 1, 1917.

Commissioner Clements: Right there, how much of that wage increase is directly due to the so-called Eight-Hour Law, and how much, if any, to the increases not necessarily included in that?

Mr. Aishton: I was just going to reach that point, Mr. Commissioner.

Commissioner Clements: Very well; wait until you get to it.

Mr. Aishton: And I will state in direct reply to your question, as to the Adamson Act, that of the amount named by me, $453,882.68 is directly attributable to the Adamson Act.

In giving those figures I would like to supplement it with this statement, that no part or parcel of that amount applies to the passenger service, because we have not yet been

able to pay our passenger men, or to determine just exactly what is due them, under that law. The other amount represents moneys actually paid to the men under the interpretation of the Adamson Law. The switchmen were paid by our company all the accrued wages seven days after the decision came out; and all the other men affected were paid their accrued wages at the next semi-monthly pay day, which was within two weeks.

Commissioner McChord: For what time was that?

Mr. Aishton: Can you give me the date that the decision came out? I have forgotten it.

Mr. Donnelly: I think it was about March 20 or 21.

Commissioner McChord: The 21st, I think.

Mr. Aishton: The switchmen were paid what had accrued for the month of January and February and until the 15th of March. The trainmen and enginemen were paid the full amount due for the months of January, February and—

Commissioner McChord: It represents two months and a half?

Mr. Aishton: Yes, sir. This amount I have quoted, however, covers the full amount earned by the men in the months of January, Februray and March, and we also paid them what they earned in the first half of April, but that is not included in this amount.

Commissioner Clements: Are you coming directly to what it would be for a full year?

Mr. Aishton: I am, sir. You desire it now?

Commissioner Clements: If you have it there, wait until you get to it.

Mr. Aishton: Yes, I have it here. The increase to classes of employes that were not advanced by the Adamson Act, for this three-months' period, which make up the balance of the $573,912.56, are as follows:

We advanced certain station labor an amount equal to $1,732.24 per month. That was scattered all over the system. It applied here and there to a cashier, to an agent—entirely unorganized labor.

$92,550.24 of that amount was for the track forces, a portion of which was for section foremen. I am mistaken about that. Section foremen were not advanced in that period. That largely is track labor.

Commissioner Clark: For what period is that $92,000?

Mr. Aishton: That is for the three-months' period, January, February and March.

Mr. Scandrett: Are not these figures for one month?

Mr. Aishton: No; I was correct in my statement; that covers the three-months' period, $92,000 for the three-months' period.

In the motive power department in that three-months' period employes' wages were raised $6,700. That did not apply to any organized craft in the shops. They are not in conference with our company in Chicago on a proposition for an advance, in which they claim a very large amount of money. This was largely cinder-pit employes, and employes around roundhouses that you might call common labor.

$282 of that amount was for car department labor, and that also is just ordinary labor.

$12,495.25 was an adjustment with the Order of Railway Telegraphers, applying to the telegraph service on our line, and was in the way of a contract.

Commissioner Clark: That was for three months?

Mr. Aishton: That was for three months. All of these figures are for the three-months' period. That became effective March 1st, Mr. Commissioner, that latter amount, for the telegraphers. Although it only appears as a one-month figure, it is the total amount paid that class of labor in the three-months' period.

Other miscellaneous increases amounted to $6,270.15. I cannot specify who they were. They were men employed in the various grades of work on the lines.

The total of that amount is $120,029.88, which is the amount outside of the Adamson Act settlement for the three-months' period of January to March, inclusive.

The Chairman: You will have for increased wages under the Adamson Act for that period, $453,882.68?

Mr. Aishton: That is correct, sir.

The Chairman: Then you have for the increased wages not on account of the Adamson Act, the figure you have just given?

Mr. Aishton: $120,029.88.

The Chairman: This exhibit of Mr. Wettling's gives that figure as $468,000.

Mr. Aishton: For the three months?

The Chairman: For the three months.

Mr. Aishton: I think I can explain that very easily. The question as applied to me covers the increases made in this three-months' period. There were a very large number of increases made in wages last year, in 1916, which only applied in varying periods, from three to five months of last year, and which this year will apply during all this three-months' period. So that the figures as given by Mr. Wettling give a true reflex of the increase as applied to the similar three months a year ago.

The Chairman: In addition to that, on page 14 of his Exhibit No. 1, there is a statement of increased costs not included, effective or to become effective before January 1, and under the heading of increased wages of other employes than those affected by the Adamson Act, is a total of about $160,000.

Mr. Aishton: Yes. I will say, gentlemen, that I have not examined those statistics. They were prepared on statements prepared by our company, however, and we will produce a witness who can explain just exactly what those figures do mean.

The Chairman: Mr. Aishton, that figure you gave was $128,000 approximately?

Mr. Aishton: $120,029.88.

The Chairman: Thank you.

Commissioner Clements: Are we to understand that if the first three months are a fair illustration of what it would be during the other nine months, that the increase directly due to the so-called Adamson Act would be around $1,600,000?

Mr. Aishton: It is about that figure, sir. I will reach that very presently.

Commissioner Clements: All right; I will not interrupt you now.

Mr. Aishton: On the matter of the cost of fuel, materials and supplies, fuel costs now current compared with those in effect a year ago have increased 36.57 per cent., or a total affecting the year 1917 operation of $2,167,202.45, based on quantity used during 1916.

There has been no change in division of freight rates since December 31, 1916, which affects the net cost of fuel to this company.

Cost of rail, ties and other materials and supplies at prices now current, in comparison with prices in effect a year ago, show an increase of 39.2 per cent. or a total increase for the year 1917 of $4,790,126.38, based on quantity used during the year 1916, and no part of this is applicable to rail as 1916 prices prevail in 1917 due to long-time contracts. If any additional rail is required over and above

amount contracted for during 1917, which by the way was 40,000 tons, it will cost 33.3 per cent. more than the existing prices.

Mr. Scandrett: Mr. Aishton, in that connection, have you made contracts for future deliveries of rail, and at what price, as compared with your 1916 contract prices?

Mr. Aishton: About three months ago I contracted on behalf of our company for 40,000 tons of steel rail for delivery in 1918 at a price of $40 a ton as against the price of $30 a ton at the present time. In that same connection, within the last two weeks I have had occasion to make some inquiry as to the probable difficulty in securing rails in 1919, realizing that unless we are protected by having a guarantee of the rolling of rail that we might not be able to keep our maintenance up to the proper standard.

I found somewhat to my surprise, I will confess, that a number of the larger railroads have already committed themselves for rail for 1919 delivery; and within thirty days it is altogether likely that on behalf of our company I shall protect ourselves with our 1919 requirements.

The Chairman: Does 40,000 tons represent maintenance?

Mr. Aishton: 40,000 tons represents maintenance, yes, sir. In that same connection, about protecting yourself in advance with materials; the locomotive situation is something in the same condition as the steel rail situation. While ordinarily the North Western Railroad would not place an order for locomotives until September for next June delivery, we found it quite necessary sixty days ago in order to get space for locomotives, to place our 1918 locomotive order, even at greatly increased prices, indicating that not only in our judgment but in the judgment of a great many other people, there are no immediate signs of a recession of prices for that character of material.

A question submitted by the Commission was in regard to any increases in revenue from recent advances or reductions. That is a very difficult question to answer, for us; and in fact I could not quote any definite figures. I have made inquiries enough to satisfy me in making the bare statement, which I cannot support by any evidence, that there has not been any substantial increase in revenue from advances, that the reductions have about equalized any advance—and I of course have to rely on an analysis of that situation by our traffic department.

On the question of the reasonableness of the proposed

rates I do not profess to be a traffic expert, but it does seem to me that if they have been reasonable in the past, and they have been accepted generally I think as reasonable, that if you take into consideration and measure the reasonableness by the percentage of advances in cost of everything in all other lines of business and human endeavor, that an increase of 15 per cent. in transportation rates would certainly not appear to be unreasonable, and considered in connection with increases in all other lines of business, would be low.

That is just an opinion. I have no measuring stick to measure it by, but it is an opinion that I am forced to.

Now, as to the question of the application to be made of the proposed increased revenues, this I think is the real evidence in the case. Approximate increase in gross revenues of the North Western Company, on the basis of a 15 per cent. increase, is estimated as follows:

On intrastate business, $2,109,492.72 per year; on interstate business, $7,697,532.03 per year, or a total annually of $9,807,024.75.

Mr. Donnelly: That assumes a full 15 per cent. increase?

Mr. Aishton: That assumes a full 15 per cent. increase on all freight rates, both state and interstate.

Commissioner Clements: What is it based on?

Mr. Aishton: 15 per cent.

Commissioner Clements: On the tonnage of the previous year?

Mr. Aishton: On the tonnage of the previous year; that would be the only basis we could use; any other would be purely estimate.

What is going to be done with the revenue—

The Chairman: Just one moment right there. Does that mean the increase during the six months July to January?

Mr. Aishton: That means the calendar year; it is figured on the basis of the calendar year.

The Chairman: Then from July 1, assuming the supplements went into effect July 1, it would represent half that sum for the balance of the calender year, which is now the fiscal year?

Mr. Aishton: I would assume so.

Mr. Scandrett: That figure was based on the calendar year, 1916?

The Chairman: And for the current calendar year, assum-

ing the 15 per cent. went into effect July 1, it would represent about five millions of dollars.

Mr. Scandrett: Something less than that?

The Chairman: Yes, a little less.

Mr. Aishton: Four and one-half million, about.

The Chairman: It is more than that.

Mr. Aishton: The increased revenues will be more than offset by the following—and, Mr. Commissioner, this answers your question as to the total estimated cost to our company of the Adamson Law—

First: Increase in wages account Adamson Law, $1,580,-288.79.

Second: Increase in wages to other classes of labor, $1,260,218.

Mind you, that does not forecast future advances. That simply is what has taken place.

Third: Increase in cost of fuel, $2,167,202.45.

Fourth: Increase in prices of other material, $4,790,126.38.

Fifth: Increase in taxes, $483,473.

That is also based on actual figures taken from our actual tax assessments.

That makes a total of $10,281,308.62, and shows that the estimated increased revenue would be $475,000 short of meeting these increased costs.

Commissioner McChord: What is the figure just before the four million?

Mr. Aishton: Increase in cost of fuel, $2,167,202.45.

Commissioner McChord: And the next is what?

Mr. Aishton: $4,790,126.38, increase in prices of other material.

Commissioner McChord: That is material—

Mr. Aishton: Material of all classes.

Commissioner Clements: What is the mileage of your system over which that would be spread?

Mr. Aishton: I think it is 7,968.

Commissioner Clements: What would that be per mile?

Mr. Aishton: The increase?

Commissioner Clements: Yes.

Mr. Aishton: I am not very good in mental arithmetic; I will ask to have that calculation made for me.

The Chairman: These estimates are based on the year 1916, applying the increased costs to those?

Mr. Aishton: To the amounts used in 1916.

The Chairman: Would you give me those again, the increase in wages due to the Adamson Act?

Mr. Aishton: $1,580,288.79.

The Chairman: The next.

Mr. Aishton: $1,260,218. In reply to your question, Mr. Commissioner Clements, the accountant who accompanies me, gives that here as $1,300 per mile, for increased expense.

Commissioner Clements: How much?

Mr. Aishton: $1,300 a mile.

From this I have to conclude that the increased revenues derived from the proposed advances of 15 per cent. will not offset the increases in wages, material, supplies and taxes, and it will therefore be seen that there will be no increase in net revenues that will be applicable to the dividend requirements of this company.

I do not know that it is necessary for me to refer here to some of the things that we are facing in the matter of labor. I cannot, with any degree of definiteness, because I do not know what they are. I do know however that there are numerous increases in labor at least that will have to be made in the very near future in order to keep our machine running.

Commissioner Clements: What are the earnings per mile of line for your road?

Mr. Aishton: I will furnish you that in a moment, Mr. Commissioner. I have difficulty in keeping those things in my mind.

Commissioner Clements: Do not stop on that account.

Mr. Aishton: In the statements that I have presented to the Commission so far I have mainly confined myself to the questions propounded by the Commission under date of May 1, 1917, which practically limits the answers to the period subsequent to January 1, 1917.

In the consideration of this subject however, I think it is entirely germane to consider the improvements that have been deferred during the last two years by the railroads generally; and thought should also be given to the extreme necessity for enlargement of railroad plants in the way of additional terminal facilities, yards, second, third and fourth tracks, facilities for maintaining equipment, and all of the various things that make an efficient transportation machine, able to fully perform its part in the commercial and agricultural development of our country, as well as in serving the Government.

If we play our part in competition with the other countries

of the world, it is of the gravest importance that our operating efficiency be developed to the very highest degree.

I started to talk about other classes of labor. I can give you, if you like, the classes of labor that have not been dealt with, and the total amount of the pay roll of each class, so that you can gain an idea of some of the things that railroad managers are going to have to negotiate about and meet. What the final outcome will be we cannot predict, and neither have we indicated in the statistics of our company submitted by Mr. Wettling, any figures based on anything of that kind.

Commissioner Meyer: We have had some testimony regarding the migration of labor from the South to the North. Have you got any of those emigrants on the North Western?

Mr. Aishton: Well, I see a dark face occasionally as I pass over the railroad; but I will say, not to any large extent. The weather has been very cold in our section of the country this spring, damp and unpleasant. But there is, I know, a very large migration of colored labor. You will find in various industries around Chicago a very much larger per cent. of colored labor than there has been in previous years. So far as our railroad is concerned, I would say that it was not much of a factor at the present moment.

Mr. Scandrett: Have you the figures showing the operating results of the North Western for the first three months of this year, the gross revenue and the net revenue, as compared with the same three months in 1916?

Mr. Aishton: I have not the gross figures. I have a memorandum showing the increases in gross and the results in net.

Mr. Scandrett: Will you give those figures, please?

Mr. Aishton: Those figures are on record, of course, submitted by our company to the Commission and on file and can be substantiated. The gross earnings on the North Western for the first three months in the current year, January, February and March, increased $1,079,762.58. The net revenue outside of taxes during the same period of three months decreased $1,684,107.34.

The income deficit—what is the income deficit? That is rather a vague term, and I don't understand it myself. But that figure represents the amount that the net revenue failed in meeting our dividend and bond requirements. For the first three months in 1917 we were short $715,710.59 of enough net money to meet our dividend and bond requirements.

I would not put that figure in here as being fairly indicative of a whole year's operations. It is true we had embargoes but

we have them every year at that time of year practically, or some kind of other embargoes on account of the weather conditions, or something of that kind.

Commissioner Clements: On what standard of dividend do you proceed to find out what the deficit is?

Mr. Aishton: On the dividend that has prevailed with our company for—I won't undertake to say how many years, but a number of years, a good many years—ten or fifteen at least—eight per cent. on the preferred stock and seven per cent. on the common stock.

The Chairman: What is the rate of bond interest?

Mr. Aishton: Of course those are varying rates, as to bond interest. The North Western Company has $205,906,500 bonds. I have not the exact figure as to the average rate of interest on those bonds, but they have varying rates. I have an impression that the average rate is about four and one-quarter.

Commissioner Clements: How much is that per mile of line?

Mr. Aishton: On the bonds?

Commissioner Clements: Yes.

Mr. Aishton: That is $25,912.80 per mile of road, for bonds. Of capital stock we have $130,117,028.82 of common stock, paying seven per cent. dividends; $22,395,120 of preferred stock, paying eight per cent. dividends, and $65,000 of some special stock—I don't just remember what that is; but the total capital stock outstanding is $152,577,140.82. The total of stock and bond per mile of roads $45,114.24. That brings it up to January 1, 1917.

Commissioner Clements: I think you used the word "thousand" back there when you meant millions.

Mr. Aishton: I am not used to speaking in millions; I am apt to speak in thousands. I have not been president of a railroad long enough to talk millions. (Laughter.)

The Chairman: Included in your term "bonds," are your interest-bearing obligations—for example, your short term notes? Have you any of them?

Mr. Aishton: We have no short term notes. We have always been able to finance our propositions without resorting to that.

The Chairman: You have been paying these dividends each year, common and preferred?

Mr. Aishton: I have a record of dividends paid by the North Western road for a number of years. Our preferred

stock has paid an eight per cent dividend since 1902; our common stock has paid a seven per cent. dividend since 1902. For the calendar year from which these figures were quoted, of 1916, the year ended December 31, the North Western road showed a surplus for that year of $9,269,734.54. That by the way was the largest surplus that we ever had in our history and was due in a very large degree to the special conditions that prevailed during the year; the use of low-priced material, very few advances in labor, and a very well balanced business.

In 1915 the surplus of the company was $810,380.34; 1914 $1,206,054; 1913 $3,775,407; 1912 $567,715.

In other words for about half of that period it was not a very safe margin over and above dividend requirements.

Mr. Clements: While you are talking about the capitalization, let me ask you this question. I do not know anything about what the facts are, but do all of these bonds and stocks of different kinds which you mentioned represent original or new, real money brought into the property, or does any of it represent script dividends or stock dividends, or anything of that kind?

Mr. Aishton: You mean in recent years, sir?

Commissioner Clements: Well, any time.

Mr. Aishton: I could not answer.

Commissioner Clements: So far as you know.

Mr. Aishton: So far as I know?

Commissioner Clements: So far as you know, or that you have any reason to believe by referring to the history of the organization, or its books, to the best of your knowledge and information.

Mr. Aishton: So far as my knowledge and information goes, I have been connected with our company 39 years—most of that time, however, in a capacity where I would not know very much about bond issues or capital stock issues. I never have understood that that represented anything other than money actually invested.

What I have been in direct contact with is an issue of ten per cent. additional stock within the last three months, which meant an issue of $15,000,000 and a few hundred thousand. I do actually know about that, because I know that the money was actually paid. The stockholders had the right to subscribe to that stock at par. And as a result of it the company received fifteen million and some odd thousand dollars.

Commissioner Meyer: Did you have any difficulty in getting subscriptions?

Mr. Aishton: We did not urge it. They were fully subscribed for.

Commissioner Meyer: Have the people along your line ever had an opportunity to buy them?

Mr. Aishton: It is very interesting. Last Tuesday in New York I made an inquiry as to the increase in holdings by people along our line of railroad, and I was very gratified, as were the other officers of the company, to find out that in the last few months the number of stockholders along our line had increased by some six hundred additional stockholders. I do not know what they own—more or less stock; but I was very gratified to find that the largest increase in those stockholders was in Illinois, our home state, and in the state of Wisconsin.

Commissioner Meyer: Have you ever attempted in any way to announce to the people along that line that your company was offering stock for sale? Have the local agents made any attempt to acquaint the people with the fact that they might purchase stock of these issues?

Mr. Aishton: I do not think we have ever attempted a peddling or selling campaign in the various states, although I think myself it might be an admirable policy. If we had double the number of stockholders on our lines in Wisconsin, Illinois, Iowa and some other states that I could mention, I think our troubles would be very much lessened.

Commissioner Daniels: Is there any statute in Illinois according to the stockholders of record the first right to purchase any additional stock that is put out?

Mr. Aishton: I cannot answer that question; I do not know.

Commissioner Daniels: There are statutes of that kind in some of the states, and I did not know but what you knew about it in Illinois.

Mr. Aishton: I am not familiar enough with that operation to advise you.

Commissioner McChord: Was any of that issue handled through outside agencies?

Mr. Aishton: No, sir; it was all purchased through our treasury.

Commissioner Clements: Has any part of your stock been issued to cover money that was taken from surplus earnings

and used for the improvement and extension of the property?

Mr. Aishton: Oh, every railroad—our railroad uses money currently for what is termed in your classification as "additions and betterments."

Commissioner Clements: Have any additional certificates of stock, or capitalization in any form, been issued to cover that?

Mr. Aishton: To cover these additions and betterments?

Commissioner Clements: Yes.

Mr. Aishton: Yes, sir.

Commissioner Clements: Used from the surplus?

Mr. Aishton: Oh, yes, if I understand your question correctly. I do not know that I do.

Commissioner Clements: I don't know exactly whether you do or not. What I meant was this. Does any of this capitalization that stands in the shape of bonds or stocks, certificates of any kind, which make up a part of your general capitalization, represent money that was taken out of your surplus earnings and put into the road for additions and betterments?

Mr. Aishton: Oh. I could not answer that question. I will say for that with which I am familiar—this new stock issue of ours—no.

Commissioner Meyer: Was this new issue of common or preferred stock?

Mr. Aishton: Common, sir. The last issue of preferred stock that we had was in 1902, and that was only $230,000; and there had been no increase in the preferred stock up to that time, since 1878.

Commissioner Daniels: Is not your process to take what funds remain in your hands over your expenses, putting it in bank and using those funds together with funds that come currently from the sale of securities, for the actual payment of additions and betterments; and then setting up on your capital account in accordance with our regulations, such sums as equal the net additions and betterments.

Mr. Aishton: I think that is a correct statement.

Commissioner Daniels: So that you cannot ear-mark any particular dollar.

Mr. Aishton: No.

Commissioner Daniels: And say whether that dollar, spent for this addition, came out of gross earnings or whether it came out of subscriptions. But eventually the amount

capitalized represents a net addition to the property investment.

Mr. Aishton: That is a correct statement.

I had concluded my statement, gentlemen. There is just one other thought I would like to bring in at this time.

We recognize that the Commission could not permit the application of any increase in earnings to purchasing equipment. But I think that it is perfectly proper to consider what equipment means in the way of capital investment today, as compared with previous periods, what the interest charge on that is, and that the railroads ought to be allowed a sufficient revenue to take care of that additional capital they have invested.

I have some very interesting figures here on the equipment purchases of the Chicago & North Western Railroad for a period of ten years. In ten years there has been purchased 42,812 freight cars, which is an average of 4,281 a year. The total cost of those cars was $37,719,000 and odd, or an average of for freight cars of $3,771,000 a year.

They purchased in the same period 947 passenger cars, ranging from baggage cars to dining cars, parlor cars and all that type of equipment. The total expenditures made in that period were $7,354,236.70.

During the same ten-year period we purchased 940 locomotives at a cost of $18,000,000, or an average of 94 locomotives a year with an expenditure of $1,850,000 annually.

The total of all that equipment expenditure for the ten-year period for the North Western road was $63,582,318.36, or an average of $6,318,231.

Now, for that expenditure every year there entered into the equipment 4,281 box cars, 94 passenger cars and 94 locomotives, during all that period, the fat years and the lean years—that is the average.

What is happening now?

For the year 1917—these are actual contracts let and bids let—we are buying 2,000 fifty-ton gondolas which cost us $2,029.78, or a total of $4,059,560.

We are buying 50 Mikado locomotives at $47,696.46—these are actual contract prices—or a total of $2,384,823, a total expenditure of $6,444,383.

In other words, the average, mind you, for the ten-year period, for equipment, was $6,358,000, almost identical with the money we are paying this year; but this year we get

2,000 cars and 50 locomotives for that money, whereas as the average for ten years we get 4,281 cars and 94 passenger cars and 94 locomotives, for the same money.

That means that if we keep up the purchase of equipment as it ought to be kept up, we are going to be forced to invest in capital account, or through certificates bearing interest, forced to invest $6,000,000 more—and I think that the Commission will agree with me that the railroads ought to be given consideration on a proposition of that kind as to the interest and carrying charges on that additional investment to provide the equipment which is necessary to operate the railroads.

The Chairman: If the car costs more than the car you already have, it is worth more.

Mr. Aishton: We cannot sell it for more, we cannot dispose of it. Of course the cars are worth more, yes, sir.

The Chairman: An increase in your assets.

Mr. Aishton: It is an increase in our assets, yes, sir.

Commissioner Clements: Do you think generally speaking there is an inadequate supply of cars, or not? I have not heard anybody admit he did not have enough cars on his road, except one gentleman yesterday down in Florida, who said he did not have enough.

Mr. Aishton: I will say very frankly that we have not enough on this railroad this month. Most of them are down East here.

Commissioner Clements: Well, if you had them and everybody else had what they ought to have on their roads, would the car supply be sufficient if economically used? It is said by a good many that there are plenty of cars, but that they are not used to the best purpose. What do you say about that?

Mr. Aishton: It is my belief—I do not know if this answers your question intelligently—but it is my belief that the railroads are getting the largest degree of efficiency that they know how to get out of all cars they have. The volume of business that is moving in this country is abnormal, and it goes without saying there are not cars enough in service now, to-day, under the methods by which they are handled, to handle all the business that is offered.

Commissioner Clements: Do you think that the present high prices of coal and other material that you have referred to here in more or less detail, which increases the burden of

the carriers as well as everybody else that has to pay those prices, is due in large part to insufficient transportation?

Mr. Aishton: I would not say large part. I would say it has its bearing on the situation, Mr. Commissioner.

I happen to know something about the coal business, being the president of two coal companies that have a fairly good supply of cars, as it is all company fuel; and our costs have gone up just the same as everybody else's has. So the car supply has not cut any figure there.

Commissioner Clements: But when people want to get their coal moved, when everybody is short of coal and more is wanted than they can get, that enables them to command higher prices than they otherwise would be able to get; is not that the natural tendency of it?

Mr. Aishton: I think it is true. There is a very large volume of coal moving everywhere. In our Western country everybody is very hysterical on the coal situation; everybody is piling up coal in their back yards against next winter, and it has created a stimulated condition that is not healthy at all, and that is reflected in prices.

Commissioner Clements: To what extent has your company been able to meet and offset the expenses due to the so-called Adamson Act, by economies of runs and divisions, and operation of trains, such as appear to have been contemplated by Congress when the act was passed?

Mr. Aishton: The question is as to what we actually have done?

Commissioner Clements: Yes.

Mr. Aishton: I can say to you, I think, absolutely nothing.

Commissioner Clements: The next question is, why have you not?

Mr. Aishton: I do not know that there is any subject that the officers of our company—who are more familiar with that thing than I am—and I myself, have given more thought to, than how to offset those increases.

Now that you have raised the question, I will be glad to show you some of the reasons why it is difficult. It is a big problem. I do not admit, mind you, that it is not possible to get some economies; but from my experience as a railroad officer, covering pretty nearly every line of railroad activity except traffic and accounting, I have not found the way.

Some of the reasons are these. I have here some of the

figures from our pay rolls for the months of January, February and the first period of March. We have a semimonthly pay day in some of the states. I think it is pretty general—we pay our men every half month. So this takes in January, February and the first half of March.

In that period we paid to conductors and trainmen on account of the Adamson Law, $76,093.84, which was a 13.86 per cent. increase of pay over their former pay, to that class of men. Mind you, this applies to freight men only. We have not yet made the application to the passenger men.

As to switchmen, the switchman has simply had his pay raised 24.51 per cent. The total amount paid to the switchmen against conductors and trainmen on the Chicago & North Western road was $84,792.40.

The switching service is practically continuous in all yards. You cannot shut it off. It has got to go along. Formerly it went along on a 10, 11 and 12 hour basis. Under this arrangement the work has to go along just the same. There is only one way to remedy it, and that would be to put three shifts of men on eight hours each and work them through the 24 hours, instead of two shifts of men.

I do not want to undertake that in our yards in Chicago. I do not believe I will have any switchmen left if I tried it. I may be wrong in it, but I have not tried it and do not intend to. It would not reduce the cost any. It would reduce the efficiency of the yard. It is not desired by he men, and it would not save a cent of the expense. Indeed, I fancy it might create some more expense.

The money paid to switchmen represents a trifle more than the total amount paid to conductors and brakemen over the whole line of the North Western road. I did not intend to bring this figure in to the Commission, but I happened to get it from our accountant, and I though it was a thing that ought to be understood in connection with this Adamson Law.

Commissioner Clements: I was only trying to get at the real results that have occurred, or those that were possible, and to know how much diligence and effort had been made to accomplish what apparently seems to have been impressed upon Congress far enough so that they made it a part of this bill, that the matter should be observed for a period of time and a report made upon it, to the end that they might be advised of the net increase due to the results of the Adamson Act in view of any such economies that might be effected. Not being a railroad operator, I have no opinion about it. Apparently there was a contention up there that it could be

largely set off in that way, and it seems to have been seriously considered, as indicated by the act itself. I do not know of anybody that is better qualified to tell us the truth the whole truth and nothing but the truth about it than a man that is in the operation of a railroad. That is the reason I asked you the question.

Mr. Aishton: I have given you my best judgment, Mr. Commissioner. The subject is one that is being actively studied by a committee of our operating people, from two or three standpoints—one, relocation of terminals. As you very well know, railroads are divided up into sections, for freight operation. The districts range anywhere from 100 to 120, 130, and in some cases as high as 160 miles, depending upon the class of traffic, the speed which can be made, the character of grades, and all that kind of thing.

We have studied it from the standpoint of relocation of terminals, and given it up, absolutely given it up. Terminals are fixed now, and in addition to the character of the road and grades, they are fixed by other things, they are fixed by the points at which you get the traffic.

Take on the line of the Chicago & North Western Railroad, for example. We go 110 miles west of Chicago and we have a particular junction point, and a line 200 miles long which runs down into Southern Illinois, from which all our coal moves, from the coal fields. That junction point fixes the terminal. The crews on one division have to end there and another one begins there; the trains have got to be broken up and split in different directions. We could not move that terminal 10 or 15 or 20 miles east; it would not work at all.

West of that still we have another terminal, about 30 miles away, at Clinton, Iowa, where we cross the Mississippi River into the State of Iowa. We have a branch line there, but that does not cut much figure. But there is 138 miles from Chicago, or 115, I think it is, from our terminal yard, and that makes a freight division. There is absolutely no opportunity to rearrange those terminals without creating an expense in operation that would be infinitely greater than this cost under the Adamson Law.

This matter came to me the day before I came down here, last Saturday. We have been studying the application of the Adamson Law to the passenger business. The only men that get an advance in the passenger service from the Adamson Law are what we term our suburban short-run men, and they are the youngest conductors, the youngest men in the service outside of the freight service. The reason for that is this, that

there is a rule in there that requires overtime after a spread —it was formerly 12 hours, and they shortened it up to 10 hours—they did not make it 8 hours there. Our suburban runs originate about 25 or 30 miles from Chicago, come into Chicago and get in there before 9 o'clock. The men are idle all day and go back at night. They are on duty possibly four hours a day—that is, running a train and doing their necessary terminal work. The rest of the time is their own. But the law is so framed, or the interpretation of the law is so framed, that those men are considered as being continuously on duty, and overtime accrues after 10 hours. If a man starts at 6 o'clock in the morning and gets back at 7 o'clock at night, there is 13 hours, and he gets 3 hours overtime.

That has increased the pay of those men over what the men on the through runs, the hard runs, get. And a proposition was put up to me in this way—and by the way, that little item alone, which does not enter into these figures whatever creates an expense for the Chicago & North Western Railroad of $12,000 and some hundreds a month, or $144,000 a year, for that type of men, and they will be getting more pay than the men in our important through passenger runs, the older men who by right of seniority and every other right should have the high-grade runs.

A proposition of this kind was put up to me: We can reduce the amount by changing our schedule of operation, taking the men off the through runs and putting them so that for part of their duty they would run on one of those suburban runs. The result would be that we would have a man come in from Lake Geneva, on what we call our Lake Geneva train, a run of about 86 miles, taking about two and a half hours to come down. Then we would put him on a suburban run and tie him up there, away from home. It would not work at all. Yet the thing would save us about $3,000 a month. I think Mr. Commissioner Clark can explain what an unreasonable proposition that would be, and how impracticable it would be, to secure an economy by that method.

Commissioner Clark: Just pursuing that line of inquiry further for a moment, Mr. Aishton, you have figured on the relocation of terminals, and have determined that there are no possible economies to offset the Adamson Act available through that channel. Now my question goes to your through freight service which is the more important part of the freight service. Another way to do it would be to speed up a train so that no train would be more than eight hours in making

100 miles. That would mean, would it or would it not, a reduction in the tonnage hauled by the train?

Mr. Aishton: We find, Mr. Commissioner, that the largest application of this Adamson Law is not to the heavy tonnage trains on our company's lines. The largest amount paid to any class of men is paid to the men that operate what we call the way freight and switch trains. A reduction in those trains would not reduce the tonnage in any way. They only carry to local stations; they set out cars and pick up cars at all stations.

Their hours are largely regulated by the amount of waywork, local work, unloading of way freight, and the switching at stations that they have to do. In a very large number of cases those runs have been shortened in the West in recent years until now there are a great many of those runs that do not cover a territory of more than fifty or sixty miles a day.

You take our territory from Chicago to Milwaukee. It is an intensely commercialized district, full of factories, full of warehouses and things of that kind. We have a way freight crew that runs from Chicago to Waukegan, 30 miles. Another one works between Waukegan and Kenosha. They are short runs, and really a traveling switch train. Those are the trains that have the long hours and have received the major portion of the benefit from the Adamson Act.

Commissioner Clark: On single-track portions of your road, or on a single-track road, assuming the engines are hauling a full tonnage, or substantially that, I suppose one way to offset the effect of this law would be to reduce the tonnage and speed up the trains.

Mr. Aishton: That would have one effect. It would reduce the amount payable under the Adamson Act possibly but it would be reflected, however, in the increased operating costs by the additional train miles that you have to run to move the tonnage. It might also be reflected in not reducing the penalty under the Adamson Act by having more trains on the road and more consequent delays meeting at passing points.

Commissioner Clark: You have anticipated answering three other questions that I was going to ask you, so we will let it go at that. (Laughter.)

The Chairman: Where do you get your company fuel?

Mr. Aishton: Where do we get our company fuel?

The Chairman: Yes.

Mr. Aishton: We get it from a number of places. We

probably have as great a variety of fuel as any railroad in the West. We buy some coal in Wyoming, a lignite coal. We had to build a special engine to burn it. We use quite a large amount of oil on some of the western lines of our railroad. I think it is three million gallons a year.

Mr. Donnelly: Gallons?

Mr. Aishton: Gallons, yes. We mine a lot of coal of our own, from our own coal mines.

The Chairman: How much does that cost you now, that you mine?

Mr. Aishton: It depends on the section that the mine is in. There is a great difference in mining costs. We have two fields that we own and operate mines in, one in Illinois in Macoupin County, about 35 miles northeast of St. Louis. That is the main field.

The Chairman: The main source of your supply, or the main field that you work?

Mr. Aishton: That is the main field that we work. Last year from that field we burned or used—purchased from them—2,428,811 tons of coal out of a total of 4,269,082 tons consumed, being between sixty and sixty-five per cent. of our total fuel supply, which came from them and one of our Iowa mines.

The Chairman: You speak of it as purchased. Do you mean that part of it was purchased and the balance of it was mined by your company?

Mr. Aishton: When I say "purchased," we purchased from our own company—that is to say, the price of coal to the railway company from the mining company, which is a subsidiary of the North Western, is based on the costs of production.

The Chairman: Plus a profit?

Mr. Aishton: No, a very little profit, at least. I can give you the profits that have been paid in the last fifteen years, if you wish.

The Chairman: Can you give us the cost of mining in that Illinois field?

Mr. Aishton: The costs to the railway company are practically the costs of the mine, and I can give you those costs. In the Illinois field our price varied from 90 cents a ton to $1.05 for the year 1916. Our price at the present moment for that coal is $1.25.

The Chairman: What is the cause of the difference?

Mr. Aishton: The difference has been caused by the increase in the cost of mining.

The Chairman: Does that mean wages in the mine?

Mr. Aishton: The miners' wages in the mine, to the miner; it means wages to every class of labor employed in the mine; it means the increase in the price of timber and props used in the mine; it is reflected in the price of a mule to-day at about $300, as compared with $150 before the war, it is reflected in the price of copper wire that goes into the trolley lines and the electrical development in the mines; it enters into the cost of powder, which is quite an item in coal mining. And even the compensation laws in some of the states have had their effect in the compensation for loss and damage from injuries, and that kind of thing.

The Chairman: Does that figure represent the cost of the coal in the car at the mine?

Mr. Aishton: That represents the cost of the coal in the car at the mine; yes, sir.

The Chairman: On your rails?

Mr. Aishton: On our rails.

The Chairman: You also have some contract coal outside of that, have you?

Mr. Aishton: Yes, sir.

The Chairman: How much does that cost you compared with last year?

Mr. Aishton: Now, you are talking about Illinois coal?

The Chairman: Illinois coal, if there is such in addition, and other coal.

Mr. Aishton: We do not buy any coal on the line of the North Western road in the vicinity of this mine, or of the same quality of coal. We do buy quite a considerable amount of coal, I think it is about four hundred thousand tons, at Spring Valley, which is in the vicinity of La Salle, Illinois, and about 250 miles nearer the point of consumption by the railroad than our own mines are.

The price last year of that Illinois coal was $1.90 a ton. This, mind you, however, is broken coal, broken to a size, lump coal, while our prices are based on mine run coal at our own mines.

The Chairman: This is $1.90 delivered at your junction point?

Mr. Aishton: This is $1.90 delivered on our tracks. The mine is on our tracks.

The Chairman: The mine is on your tracks?

Mr. Aishton: Yes, the mine is on our tracks, at Spring Valley, near La Salle. The price this year on the same coal is $2.70, an eighty-cent advance.

Commissioner Meyer: In considering the relocation of division points, you doubtless had some estimates made of the direct cost to your company of moving a typical division point. I think the Commission would like to get your judgment on that.

Mr. Aishton: The cost of moving a typical point—I could not give any figures in dollars and cents to give the Commission, but I could outline to them in a general way what such a thing would mean.

To establish a divisional point would require, first, facilities for housing your power, facilities for car repair yards, yards adequate and sufficient to handle your trains, provide storage for cars and all that kind of thing; provide an adequate water supply, either from streams or by artesian wells or whatever means you could use to get water; tanks, pumping stations, coal sheds, cinder pits, turntables—all the facilities that generally go with a terminal point.

In connection with that it would mean moving the homes and headquarters of a very large number of men from points where they have been established for years, where they have in a good many cases invested their savings in homes, and quite a large proportion of our men own their homes, and pulling them up and setting them down in a strange locality to provide their own shelter, or else creating an expense of providing it for them.

The costs would vary entirely with the volume of business to be handled and the natural surroundings, everything of that nature.

We have made some typical studies that I could submit through an engineer, if desired, to the Commission for their consideration.

The Chairman: Mr. Aishton, can you submit some representative coal contracts now in force, fuel contracts, and fuel contracts of last year.

Mr. Aishton: I will be very glad, Mr. Chairman, to submit all our fuel contracts for this year and for last year; and also, if the Commission desires it, although their Examiners have examined the statements of the coal companies owned by the North Western road—I will be very glad to submit our statements also as a part of that exhibit.

The Chairman: I think we only need what is representative.

Mr. Aishton: All right, sir.

Mr. Scandrett: Do you purchase any coal at the head of the lakes?

Mr. Aishton: We purchased four hundred thousand tons in round numbers of coal at the head of the lakes. This year so far we have been unable to close a contract, although the prices indicate not less than $5 a ton as against $2.9325 last year. That coal comes up by boat, is delivered on the docks served by our tracks, and of course there is a subsequent charge of 25 cents a ton for putting it in the car from the dock.

Mr. Scandrett: The Chicago and North Western has a controlling interest in the C. St. P. M. & O., has it not?

Mr. Aishton: The Chicago and North Western has a controlling interest in the C. S. P. M. & O. Railway.

Mr. Scandrett: Does the Omaha Railway buy a considerable part, or has it in the past, of its fuel supply at the head of the lakes?

Mr. Aishton: The major portion of their supply has been taken heretofore from the head of the lakes. I think in round numbers their consumption is from nine hundred thousand to a million tons a year, of which they have heretofore secured about 650,000 tons—no, they have secured approximately all that coal from the head of the lakes—nine hundred thousand tons.

Mr. Scandrett: Have they closed their contract for this year's supply?

Mr. Aishton: They have not actually closed it. The best price they had had on that coal up to the present moment is $6 a ton.

Mr. Scandrett: How does that compare with last year's price,

Mr. Aishton: I have not the price of their coal last year, but their average price last year was $2.837 per ton. That included, however, some coal purchased in Iowa, and some small amounts in Illinois.

Mr. Scandrett: Over two-thirds of their purchase, however, were from the head of the lakes.

Mr. Aishton: Two-thirds of their purchases were from the head of the lakes, and the Omaha road estimates that their increase in price this year is going to be in the neighborhood of 90 per cent.

Mr. Scandrett: Have the Northern Pacific and the Great Northern also purchased at the head of the lakes,

Mr. Aishton: They rely largely upon the head of the lakes for their supply.

The Chairman: Mr. Donnelly, you have produced some very interesting witnesses here, and perhaps more time has been taken up by questions from the bench than was contemplated. Can you give us some idea of when you think you can finish your presentation on behalf of the western carriers.

Mr. Donnelly: I think we can conclude very easily, Mr. Chairman to-morrow.

The Chairman: You think it can be done during the course of to-morrow.

Mr. Donnelly: I think so. I certainly should not want the Commission to feel that we in any way are opposed to the fullest examination by members of the Commission. We desire it as to each of the witnesses.

The Chairman: I am looking ahead. The suggestion was made yesterday, and again this morning, at the request of Mr. Thorne, in regard to whether we could see our way to assigning days for argument at the close of the hearing.

Mr. Cary: We spent the lunch hour trying to get some agreement among the shippers as to what was wanted. We have practically arrived at an agreement, but are not quite ready to report. I believe we can submit something in the morning.

The Chairman: Very good. Mr. Donnelly, the desire is expressed that some of your own engineers' estimates as to the cost of shifting terminals, in view of the Adamson Act, should be filed with the Commission.

Mr. Donnelly: Mr. Aishton, the chairman has just suggested that some of the engineers' estimates—

The Chairman: Studies, perhaps, is the word.

Mr. Donnelly: Very well—studies as to the cost of changing their terminals in view of the requirement of the Adamson Act—be filed with the Commission—the results of their studies. Could that be done?

Mr. Aishton: I would be very glad, indeed, not only to have the engineer, but I will give it my thought, to have some studies made with an analysis of a certain district, of a representative railroad, as to what it would mean in the way of installing these other terminals.

Commissioner Harlan: And what their cost would be.

Mr. Aishton: As to their cost, not only the cost of the physical operations, but also to its effect on the employes,

and so on; because I do not think we can ignore that feature of the proposition in the consideration of changing terminals.

Mr. Bierd: I would like to suggest that perhaps we have what is asked for. During the pendency of the Adamson Act, and when this question was being considered, experts were employed to make a study of typical railroads that would be typical of the West. Those men were employed, a former operating vice president and two former operating engineers, a former chief engineer of the North Western being one of them. Such a study was made and a report was made in considerable detail to the Association of Western Railways. If that information is wanted it is at hand and can be had.

Mr. Donnelly: I assume that is what is wanted.

The Chairman: Yes.

Mr. Bierd: There were two or three typical roads of the West.

Mr. Donnelly: Will you see that that is filed with the Commission?

Mr. Bierd: Yes.

Mr. Aishton: I had overlooked the fact that there was a typical study made of two railroads in this connection. All that information is at the service of the Commission, and Mr. Bierd and myself will see that it is presented to you.

The Chairman: The Commission will appreciate the benefit of your thought and that of Mr. Bierd upon this subject.

The Commission will adjourn until to-morrow morning at ten o'clock.

(Thereupon at 4:35 o'clock P. M., the Commission adjourned until to-morrow, Friday, May 11, 1917, at ten o'clock A. M.)

MSH 21056

END OF
TITLE